

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF SOUTHEAST DAVIESS)	
COUNTY WATER DISTRICT FOR A RATE)	CASE NO.
SURCHARGE AND FOR A CERTIFICATE OF)	2007-00352
PUBLIC CONVENIENCE AND NECESSITY)	

O R D E R

On August 2, 2007, Southeast Daviess County Water District ("Southeast Daviess") applied for a Certificate of Public Convenience and Necessity to construct a \$1,219,995 waterworks improvement project and approval of a proposed rate surcharge of \$0.39 per 1,000 gallons. A review of the application revealed that it did not meet the minimum filing requirements and a notice of the filing deficiency was issued. Southeast Daviess subsequently submitted the filing deficiency on August 30, 2007. The Commission determined that the information filed satisfied the minimum filing requirements and the application was accepted for filing as of August 30, 2007.

Southeast Daviess requests the surcharge pursuant to KRS 74.395, which allows water districts to finance all or part of a system expansion by assessing a temporary surcharge. Pursuant to KRS 74.395(2), the Commission scheduled a public hearing on the proposed surcharge for November 14, 2007, but cancelled the hearing when, after publication and notice of such public hearing, no interested party filed written notice of intent to attend. The matter now stands submitted to the Commission for a decision.

The proposed project involves the construction of a 500,000-gallon welded steel elevated storage tank and related appurtenances to provide additional capacity, to provide

sustained flow, and to assist in maintaining higher system-wide pressure during higher system demand periods. After review of the evidence of the record, and being otherwise sufficiently advised, the Commission finds that:

1. Southeast Daviess proposes to construct a 500,000-gallon welded steel elevated storage tank and related appurtenances for additional system capacity and to supply the continued and substantial growth anticipated.

2. Plans and specifications for the proposed improvements consistent with KRS 74.395 have been prepared by HRG, PLLC Surveying and Engineering of Owensboro, Kentucky, and have been approved by the Division of Water of the Environmental and Public Protection Cabinet.

3. The proposed project will not adversely affect the quality of service provided to Southeast Daviess's customers or its ability to provide adequate water at sufficient pressure levels to present or projected future customers.

4. The proposed project will not compete or conflict with the facilities of other jurisdictional utilities operating in the same area.

5. The proposed project will not result in the wasteful duplication of utility facilities.

6. Public convenience and necessity require the proposed construction be performed.

7. Southeast Daviess proposes to finance the project through a Kentucky Infrastructure Authority/Coal Development Fund grant of \$205,000 and a loan in the approximate amount of \$1,014,995 from the Kentucky Infrastructure Authority ("KIA").

8. The proposed KIA loan will have a 5-year term with an interest rate of 3 percent per annum.

9. The proposed loan is for a lawful object within Southeast Daviess's corporate purposes, is necessary and appropriate for and consistent with Southeast Daviess's proper performance of its service to the public, will not impair its ability to perform that service, and is reasonably necessary and appropriate for such purpose.

IT IS THEREFORE ORDERED that:

1. Southeast Daviess is granted a Certificate of Public Convenience and Necessity to proceed with the proposed construction project as set forth in the plans and specifications of record herein.

2. Southeast Daviess shall be authorized to assess a surcharge of \$0.39 per 1,000 gallons to all customers for a period not to exceed 60 months from the date of this Order, or until the KIA loan has been retired in full, whichever occurs first.

3. Within 20 days of the date of this Order, Southeast Daviess shall file with the Commission revised tariff sheets that set forth the proposed surcharge and are signed by an officer authorized to issue tariffs.

4. Southeast Daviess shall list the surcharge as a separate line item on each customer's bill.

5. If construction of the proposed project has not commenced within 5 years of the date of this Order, Southeast Daviess shall refund all surcharge proceeds together with all interest and earnings.

6. Southeast Daviess shall set the proceeds of the surcharge apart in a separate interest bearing reserve trust account guaranteed by the United States

government and, together with any interest earned therein, shall be used solely for the project approved herein.

7. Southeast Daviess shall maintain its records in such a manner as will enable it, or the Commission, or its customers, to determine the amounts to be refunded and to whom they are due in the event that surcharge amounts should be refunded.

8. Southeast Daviess shall obtain approval from the Commission prior to performing any additional construction not expressly authorized in this Order.

9. Any deviation from the construction approved herein shall be undertaken only with the prior approval of the Commission.

10. Southeast Daviess shall furnish documentation of the total costs of this project including the cost of construction and all other capitalized costs (engineering, legal, administrative, etc.) within 60 days of the date that construction is substantially completed. Construction costs should be classified into appropriate plant accounts in accordance with the *Uniform System of Accounts for Water Utilities* prescribed by the Commission.

11. Southeast Daviess shall require the construction to be inspected under the general supervision of a professional engineer with a Kentucky registration in civil or mechanical engineering, to ensure that the construction work is done in accordance with the contract drawings and specifications and in conformance with the best practices of the construction trades involved in the project.

12. Southeast Daviess shall file a copy of the "as-built" drawings and a certified statement that the construction has been satisfactorily completed in accordance with the contract plans and specifications within sixty days of the substantial completion of the construction certificated herein.

13. Beginning in calendar year 2008, and for each calendar year thereafter in which the surcharge is effective, Southeast Daviess shall submit with its annual financial and statistical report required by Administrative Regulation 807 KAR 5:006, Section 3(1), a written report containing:

- a. The amount of surcharge proceeds collected during the calendar year.
- b. The total amount of surcharge proceeds collected.
- c. The amount disbursed from the reserve trust account during the calendar year.
- d. The total amount disbursed from the reserve trust account since the inception of the surcharge.
- e. A description of each expenditure made on the expansion project for the calendar year and its cost.

14. At the end of the 60-month period or the retirement of the KIA loan, whichever occurs first, Southeast Daviess shall revise its tariff to reflect the termination of the surcharge.

15. Southeast Daviess's proposed plan of financing is approved.

16. Southeast Daviess is authorized to enter into the proposed loan agreement with KIA to borrow \$1,014,995 and to repay such loan over a 5-year period at an interest rate of 3 percent per annum. Southeast Daviess shall use the proceeds of the proposed loan from KIA only for the purposes set forth in its application.

Nothing contained herein shall be deemed a warranty or finding of value of securities or financing authorized herein on the part of the Commonwealth of Kentucky or any agency thereof.

Done at Frankfort, Kentucky, this 27th day of December, 2007.

By the Commission

ATTEST:



Executive Director